



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2014 REGULAR SESSION

SENATE BILL NO. 114

WEDNESDAY, FEBRUARY 19, 2014

The following bill was reported to the House from the Senate and ordered to be printed.

RECEIVED AND FILED
DATE March 25, 2014
4:50pm

ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY L. Allen

1 AN ACT relating to consumer loan companies.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔Section 1. KRS 286.4-530 is amended to read as follows:

- 4 (1) Every licensee may lend any sum of money not exceeding fifteen thousand dollars
 5 (\$15,000), excluding charges, and may charge, contract for and receive thereon
 6 charges not in excess of three percent (3%) per month on any loan where the
 7 original principal amount of the loan is~~[that part of the unpaid principal balance]~~
 8 not in excess of three~~[one]~~ thousand dollars (\$3,000)~~[\$1,000]~~ and two percent
 9 (2%) per month on any loan where the original principal amount of the loan
 10 exceeds~~[that part of the unpaid principal balance exceeding]~~ three~~[one]~~ thousand
 11 dollars (\$3,000)~~[\$1,000]~~ but not exceeding three thousand dollars (\$3,000);
 12 provided, however, that in any loan wherein the original principal amount of the
 13 loan (face amount less precomputed charges) exceeds three thousand dollars
 14 (\$3,000), the licensee may not charge at a rate per month in excess of two percent
 15 (2%) per month on the unpaid balances of the principal]. Such charges shall be
 16 computed in advance at the agreed rate on scheduled unpaid principal balances of
 17 the cash advance on the assumption that all scheduled payments will be made when
 18 due. The total amount of such precomputed charges shall be added to the original
 19 cash advance and the resulting sum shall become the face amount of the note.
 20 Every payment may be applied to the combined total of the cash advance and
 21 precomputed charges until the contract is paid in full.
- 22 (2) For the purposes of computation, whether at the maximum rate or less, a month
 23 shall be that period of time from any date in a month to the corresponding date in
 24 the next month and if there is no such corresponding date then to the last day of
 25 such month, and a day shall be considered one-thirtieth (1/30) of a month when
 26 such computation is made for a fraction of a month. The portion of the charges
 27 applicable to any particular monthly installment period, as originally scheduled or

1 following a deferment, shall bear the same ratio to the total charges, excluding any
2 adjustments made pursuant to subsection (3) of this section, as the balance
3 scheduled to be outstanding during that monthly period bears to the sum of all
4 monthly balances scheduled originally by the contract of loan.

5 (3) A licensee and borrower may agree that the first installment date may be not more
6 than fifteen (15) days more than one (1) month and the amount of such installment
7 may be increased by one-thirtieth ($1/30$) of the portion of the charges applicable to a
8 first installment period of one (1) month for each extra day.

9 (4) If one-half ($1/2$) or more of any installment remains unpaid more than seven (7)
10 days after it is due, the licensee may charge and collect a default charge not
11 exceeding two cents (2¢) for each dollar of the scheduled installment, and such
12 charge may be collected for each full month the installment remains unpaid.

13 (5) If the payment of all wholly unpaid installments on which no default charge has
14 been collected is deferred one or more full months, the licensee may charge and
15 collect a deferment charge not exceeding two cents (2¢) for each one dollar (\$1) of
16 the sum of the installments so deferred, multiplied by the number of months the
17 maturity of the contract is extended; provided, however, that such number of
18 months shall not exceed the number of installments which are due and wholly
19 unpaid or due within fifteen (15) days from the date of deferment. The deferment
20 charge may be collected at the time of deferment or at any time thereafter. Any
21 payment received at the time of deferment may be applied first to the deferment
22 charge and the remainder, if any, applied to the unpaid balance of the contract,
23 provided, however, that if such payment is sufficient to pay, in addition to the
24 appropriate deferment charge, any installment which is in default and the applicable
25 default charge, it shall be first so applied and any such installment shall not be
26 deferred or subject to the deferment charge. At the time a deferment is made the
27 borrower shall be given a statement or receipt showing the amount of the deferment

- 1 charge, the date and amount of the next scheduled payment and the number of
2 remaining scheduled payments.
- 3 (6) If the contract of loan is prepaid in full by cash, a new loan or otherwise before the
4 final installment date, the portion of the charges applicable to the full installment
5 periods following the installment date nearest the date of prepayment shall be
6 refunded. Any default or deferment charges which are due and unpaid may be
7 deducted from such refund. The tender by the borrower or at his request of an
8 amount equal to the unpaid balance less the required refund must be accepted by the
9 licensee in full payment of the contract. If judgment is obtained before the final
10 installment date the contract balance shall be reduced by the refund which would be
11 required for prepayment in full as of the date judgment is obtained. No refund of
12 less than one dollar (\$1) need be made; no refund for partial prepayments need be
13 made.
- 14 (7) If two (2) or more full installments are in default for one (1) full month or more at
15 any installment date and if the contract so provides, the licensee may reduce the
16 contract balance by the refund or credit which would be required for prepayment in
17 full on such installment date. Thereafter, in lieu of charging, collecting or receiving
18 charges as provided in subsections (1) to (6) inclusive of this section, charges may
19 be charged, collected and received as provided by subsection (8) of this section until
20 the contract is fully paid.
- 21 (8) In lieu of computing and collecting charges as provided in subsections (1) to (6)
22 inclusive of this section a licensee may contract for, collect and receive on loans of
23 fifteen thousand dollars (\$15,000) or less charges as permitted in subsection (1)
24 computed on the unpaid principal balance of the loan from time to time outstanding.
25 Such charges shall not be paid, deducted, received in advance or compounded but
26 shall be computed, collected and received only on unpaid principal balances for the
27 time actually outstanding. The definition of a month and of a day in subsection (2)

1 of this section shall apply for the purposes of such computations.

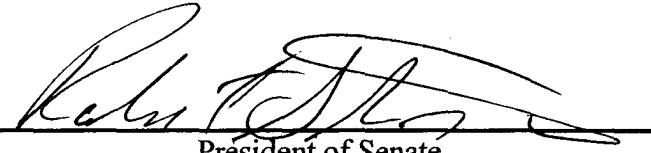
2 (9) If part or all of the consideration for a contract of loan is the unpaid principal
3 balance of a prior loan with the same licensee then the principal amount payable
4 under such contract of loan shall not include any unpaid charges on the prior loan
5 except such charges which have accrued within sixty (60) days before the making of
6 such new contract of loan and may include the balance remaining after giving the
7 refund required by subsection (6) of this section.

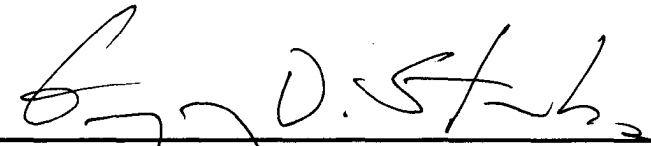
8 (10) In addition to the charges provided for in this subtitle no further charge or amount
9 whatsoever for any examination, service, brokerage, commission, expense, fee, or
10 bonus or other thing shall be directly or indirectly charged, contracted for, or
11 received, except the lawful fees actually and necessarily paid out by the licensee to
12 any public official for filing, recording or releasing in any public office any
13 instrument securing the loan; the identifiable charge of premium for insurance
14 provided for in KRS 286.4-560; or fees for noting or releasing a lien on or
15 transferring a certificate of title to any motor vehicle offered as security for a loan
16 made under this subtitle. If any amount in excess of the amounts authorized by this
17 subtitle is charged, contracted for or received, except as the result of an accidental
18 or bona fide error, the lender shall have no right to collect or receive any charges
19 whatsoever.

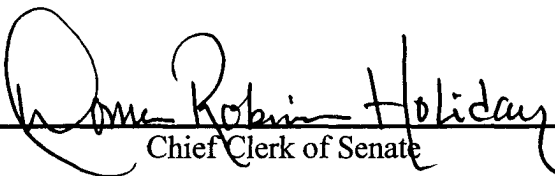
20 (11) No licensee shall induce or permit any borrower to split up or divide any loan nor
21 permit any one borrower to become indebted to him under more than one (1)
22 contract of loan at the same time if the actual amount of the indebtedness on any
23 one of such contracts is in the amount or of the value of fifteen thousand dollars
24 (\$15,000) or less and there is charged, contracted for, or received thereon, directly
25 or indirectly, by any device, subterfuge, or pretense whatsoever, any interest, or
26 consideration therefor greater than would otherwise be permitted by this subtitle.

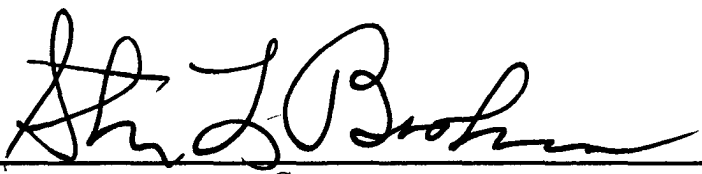
27 (12) No licensee shall directly or indirectly charge, contract for or receive any interest or

1 consideration greater than the lender would be permitted by law to charge if he were
2 not a licensee hereunder upon any loan in the amount or of the value of more than
3 fifteen thousand dollars (\$15,000) excluding charges, or in any case in which the
4 licensee permits any individual as borrower, indorser, guarantor, or surety for any
5 borrower, or otherwise, to owe on any loan or loans directly or contingently, or
6 both, to the licensee at any time the sum of more than fifteen thousand dollars
7 (\$15,000) for principal, excluding charges.


President of Senate


Speaker-House of Representatives

Attest: 
Chief Clerk of Senate

Approved 
Governor

Date 3/25/14